

# *What You Should Know Before You Hire a Contractor*



prepared by  
Contractors State License Board  
David R. Phillips  
*Registrar*

Department of Consumer Affairs  
Michael A. Kelley  
*Director*

State and Consumer Services Agency  
Shirley Chilton  
*Secretary*

State of California  
George Deukmejian  
*Governor*

**Consumer  
Affairs**

April 1990



# ***The Contractors State License Board***

The Contractors State License Board (CSLB) was established in 1929 as the Contractors License Bureau under the Department of Professional and Vocational Standards. Today, the CSLB is part of the Department of Consumer Affairs.

A thirteen-member volunteer board elects the CSLB's executive officer, or Registrar of Contractors, and directs administrative policy for the agency's operations. This volunteer board includes seven public members (non-contractors), five contractors, and one labor representative. Eleven appointments are made by the Governor and two are made by the Legislature.

The CSLB licenses and regulates contractors in forty-three license classifications that constitute the construction industry. Currently, there are 250,000 licensed contractors in the state. The CSLB also registers home improvement salespersons.

The Registrar oversees approximately 400 employees who are distributed among the headquarters office in Sacramento, two regional offices, fourteen district offices, and six branch offices throughout the state.

The headquarters office receives and processes applications for new contractors' licenses, for additional classifications, for changes of license records, and for license renewals. The headquarters staff also review and maintain records of disciplinary actions initiated by the regional offices and provide other support services.

Regional offices direct the activities of district and branch offices and initiate all disciplinary actions resulting from their investigations. The staff of the district and branch offices investigate consumer complaints against licensed and nonlicensed contractors.

The board holds regular meetings across the state. These meetings give the public the opportunity to testify on agenda items and on other issues.

## ***Members of the Contractors State License Board***

<b>Joseph Valverde,</b>	<b>Chairperson</b> <i>A-Contractor</i>	<b>Stephen H. Lazarian, Jr.,</b>	<i>Public Member</i>
<b>Marla Marshall,</b>	<b>Vice-Chairperson</b> <i>Public Member</i>	<b>John Lazzara</b>	<i>Labor Member</i>
<b>Jack Fenton</b>	<i>Public Member</i>	<b>Don MacGillivray</b>	<i>B-Contractor</i>
<b>James L. Frayne</b>	<i>Public Member</i>	<b>Elton "Skip" Michael</b>	<i>Public Member</i>
<b>Frank Geremia, Jr.</b>	<i>C-53 Contractor</i>	<b>John H. Moore</b>	<i>C-10 Contractor</i>
		<b>Benny Y. Yee</b>	<i>Public Member</i>

# ***Table of Contents***

During Construction .....	20
Permit, Plans and Specifications .....	20
Inspections .....	21
Inconveniences .....	21
Keep a Job File .....	22
Legal Considerations ... Liens .....	23
Preliminary Lien Notices .....	23
Mechanics' Liens .....	23
Arbitration .....	24
Avoiding Complaints and Problems .....	25
What if Problems Occur? .....	26
What Happens to a Consumer Complaint? .....	27
Some Things to Consider .....	28
Do: .....	28
Do Not: .....	29
Be sure your contract includes: .....	30
Finally .....	31
Contractors State License Board Offices .....	32
Northern Region .....	32
Southern Region .....	33
Disclaimer .....	34

# Table of Contents

Before you begin.....	1
Caveat Emptor .....	2
The Buyer Beware .....	2
What do you want done? .....	2
Planning for Energy Conservation .....	3
Paying for Your Project .....	4
Selecting a Contractor .....	5
What Kind Do You Need? .....	5
Check the Contractor's License .....	6
Check the Contractor's References .....	7
Make Sure the Contractor Has Workers' Compensation and Liability Insurance Coverage .....	9
Check the Status of the Contractor's Bond .....	10
Funding Control of Your Project .....	11
Licensing .....	13
The Owner/Builder .....	14
Bids .....	15
Get Competitive Bids for the Project .....	15
The Contract .....	16
Make Sure Everything is in Writing. Assume Nothing .....	16
Have It In Writing .....	16
The Three-Day Cancellation period .....	18
Make Sure Everything You are Paying for is in the Contract.....	18
Warranties .....	19
Scheduling the Work .....	19
Scheduling the Payments .....	19

# **Caveat Emptor . . .**

## **The Buyer Beware**

Most contractors are competent, honest, hard-working and financially responsible. However, contractors are in business to make money. A responsible and informed consumer knows that "the buyer beware" principle can help prevent or minimize frustration and disappointment when preparing to make a major purchase decision. By carefully considering what you want to have done to your property, what it will realistically take to do the job, and what kind of professional should be brought in to do the job, you may avoid many of the headaches often associated with remodelling.

Almost everyone knows someone who has a nightmare story to tell about their remodelling job: the length of time it took; the inconvenience of the noise, dust, and absence of such essentials as plumbing, electricity, heat, air conditioning; lack of privacy during the job; or the cost-overruns associated with a remodelling job. These are common complaints that can be heard in virtually any conversation with a homeowner who has had to live through what they described as "the trauma" of even the smallest remodelling job.

In order to minimize the chances that you will be the one with such a complaint, you should understand that planning is the first step in the process. Before you do anything else, ask the question:

## **What do I want done?**

A silly question? Not at all.

Plan carefully exactly what you want done, what you want it to look like when finished, and how much you have to spend. Thoughtful, carefully prepared plans will be helpful in getting accurate bids from contractors. You may wish to seek the advice of an architect or draftsman.



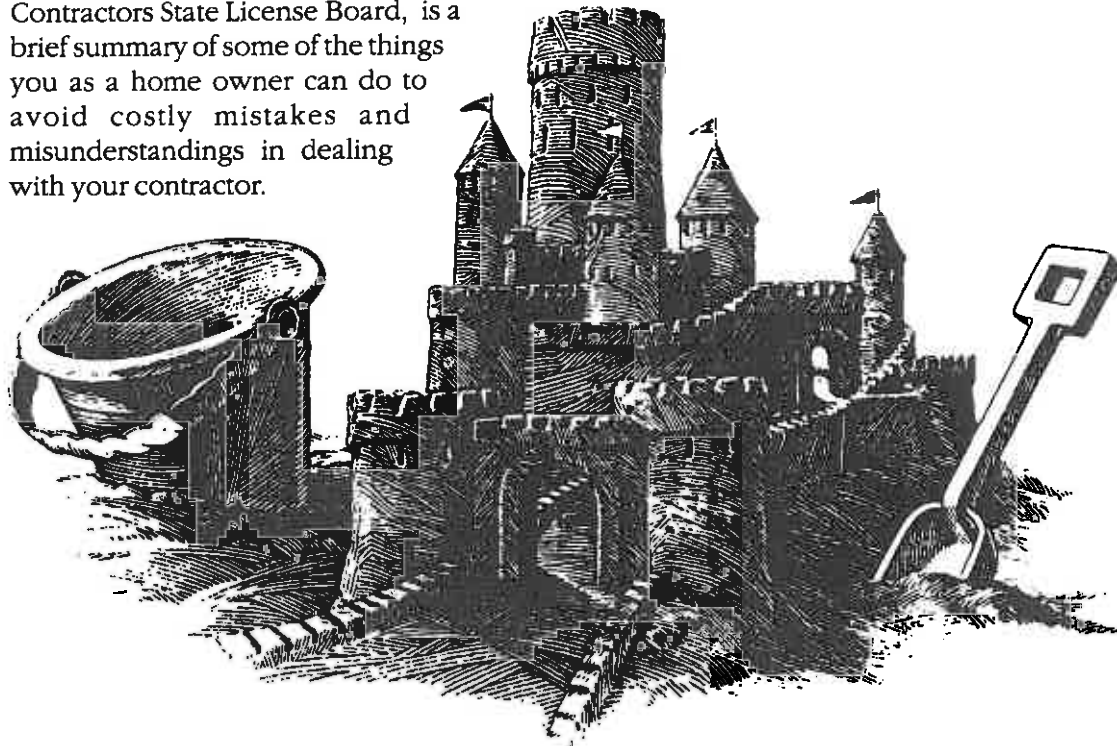
## ***Before you begin...***

Californians spend more than \$10 billion on construction and home remodeling each year. Many homeowners have discovered that improving their present residence with an updated kitchen, an additional bathroom, new windows or a new roof can be a more prudent investment than purchasing a new residence. However, adding a room or updating a kitchen can cost more than a new car, and consumers should take some time and care in planning a costly home improvement project. Unfortunately, most consumers spend less time choosing a contractor than they do choosing a car.

This booklet provides advice for consumers on steps to take to:

- select a reputable and qualified contractor;
- negotiate a clear contract;
- prevent disputes with the contractor; and
- resolve disputes between the consumer and the contractor when they arise.

This booklet, prepared by the California Contractors State License Board, is a brief summary of some of the things you as a home owner can do to avoid costly mistakes and misunderstandings in dealing with your contractor.



## ***Paying for Your Project***

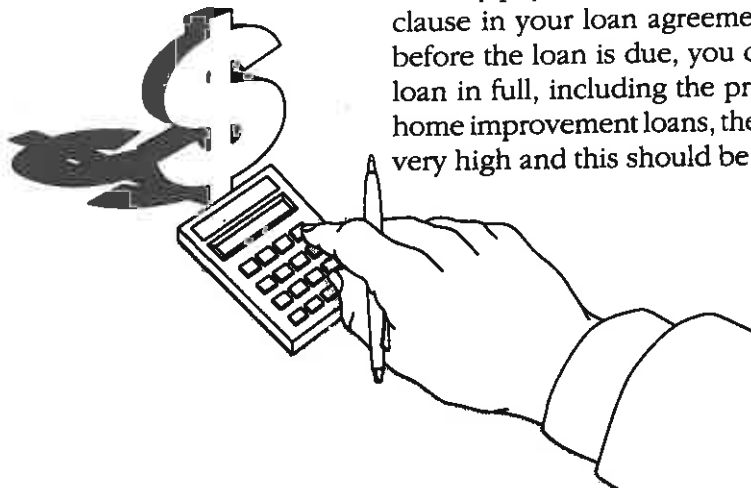
When remodeling your home, you may wish to obtain financing for the project through a personal loan, a home equity loan, a credit union, an insurance policy, a bank or a savings and loan. Your contractor may be able to help you secure financing, but it is important for **you** to investigate different sources of funding to compare the amount, interest rate, terms, and tax considerations.

Banks and lending institutions may offer Federal Housing Administration (FHA) loans for home improvements. FHA requires that the lender approve any contractor arranging for an FHA loan, but does not guarantee the work or the contractor. Beware of anyone who tells you that the FHA approves the contractor's work or endorses the contractor.

If you cannot pay for a project without a loan, it is a good idea to add a clause to your contract stating that it is valid only if you obtain financing at a particular rate.

If your home improvement work is the result of damages covered by your insurance, check with your insurance company to determine the extent of coverage before signing a contract.

When deciding among the various loan sources, you should ask about possible pre-payment penalties. Because lenders frequently package their loans to consumers to allow for interest earnings over the life of the loan, they sometimes provide for prepayment penalties that enable them to capture a portion of those earnings and the expenses of paperwork involved if the life of the loan is shortened by an early payoff. For example, with a prepayment penalty clause in your loan agreement, if you sell your property before the loan is due, you could be required to pay the loan in full, including the prepayment penalty. In some home improvement loans, the pre-payment penalty can be very high and this should be a consideration.

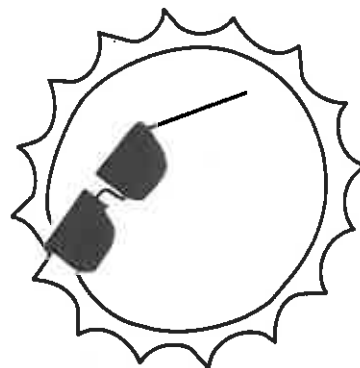


# ***Planning for Energy Conservation***

Remember that, in general, if something you want is not shown on the plans, you won't get it.

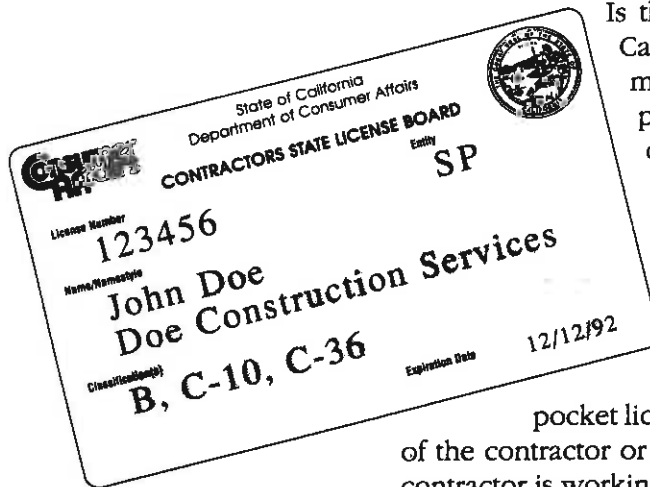
Because of rising energy costs, interest rates, and housing costs, it is advisable when planning an addition to your home to consider its impact on overall energy use. Some basic energy conservation measures that can be included in your plans are weather stripping, caulking of doors and windows, and attic and wall insulation. You might even decide to include a solar energy system.

Whether planning a room addition or just energy conservation improvements to your existing home, be certain to discuss in detail with your contractor which energy conservation measures would be best suited to your home. You should also contact your local building department for information regarding local energy conservation ordinances that may affect your plans.





## Check the Contractor's License



Is the contractor properly licensed? In California, any job that costs \$300 or more for material and labor must be performed by a contractor who holds a current, valid license from the Contractors State License Board in the specialty for which he or she is contracting.

Ask to see the contractor's pocket license and some additional form of identification. The name on the pocket license should be the same as the name of the contractor or the business name under which the contractor is working.

***It is illegal for a contractor to use another contractor's license just as it is for someone to use another's drivers license.***

When you establish that the contractor's or company's name matches what appears on the pocket license issued by the Contractors State License Board, then call the Board and ask if the license is valid. Phone numbers for local offices of the Board are listed at the end of this booklet.

Finally, if the contractor is operating with a valid license, you may also want to find out whether the person you are considering working with is a member of a professional or trade association that has a code of ethics or standards for their trade. Find out if members of the association have pledged to arbitrate disputes. You may want to contact the local chapter of the association to see whether it will act as an intermediary in case of disputes or arrange for an impartial arbitrator. ***Arbitration is voluntary.*** If you want an arbitration clause in your contract, make sure the contractor you are considering will agree to arbitrate any disputes that arise out of the contract. (See page 24 for additional discussion of *arbitration*.)



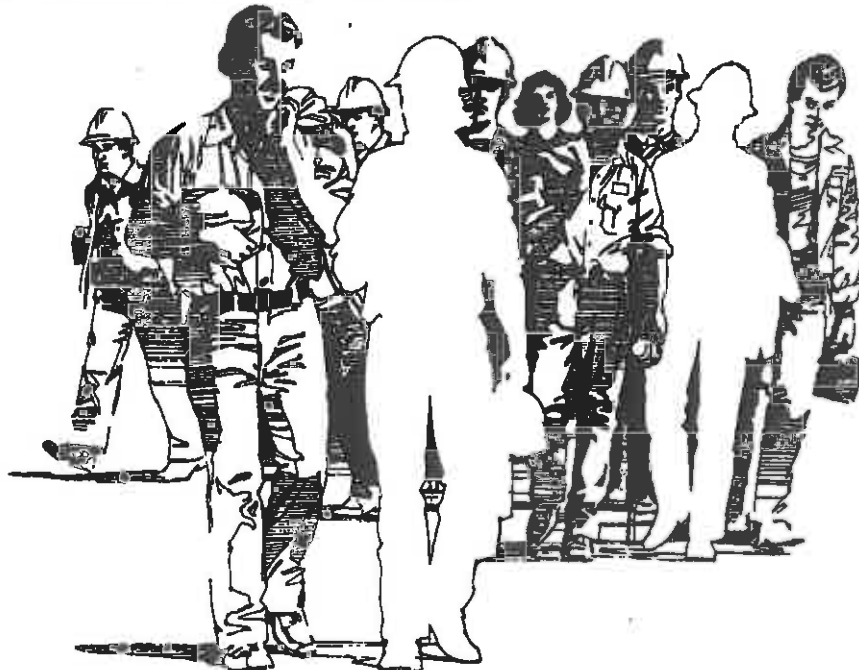
# Selecting a Contractor

## What Kind Do You Need?

There are approximately 41 different types of contractors, each of which requires a separate specialty contractor's license. For example, if you want only roofing or plumbing work, you will need a contractor licensed in each of the particular specialties. If the job requires three or more types of work, then the work should be done by a licensed **general building contractor**. For example, if your kitchen remodeling will involve plumbing, electrical, *and* carpentry work, a licensed general building contractor should be hired.

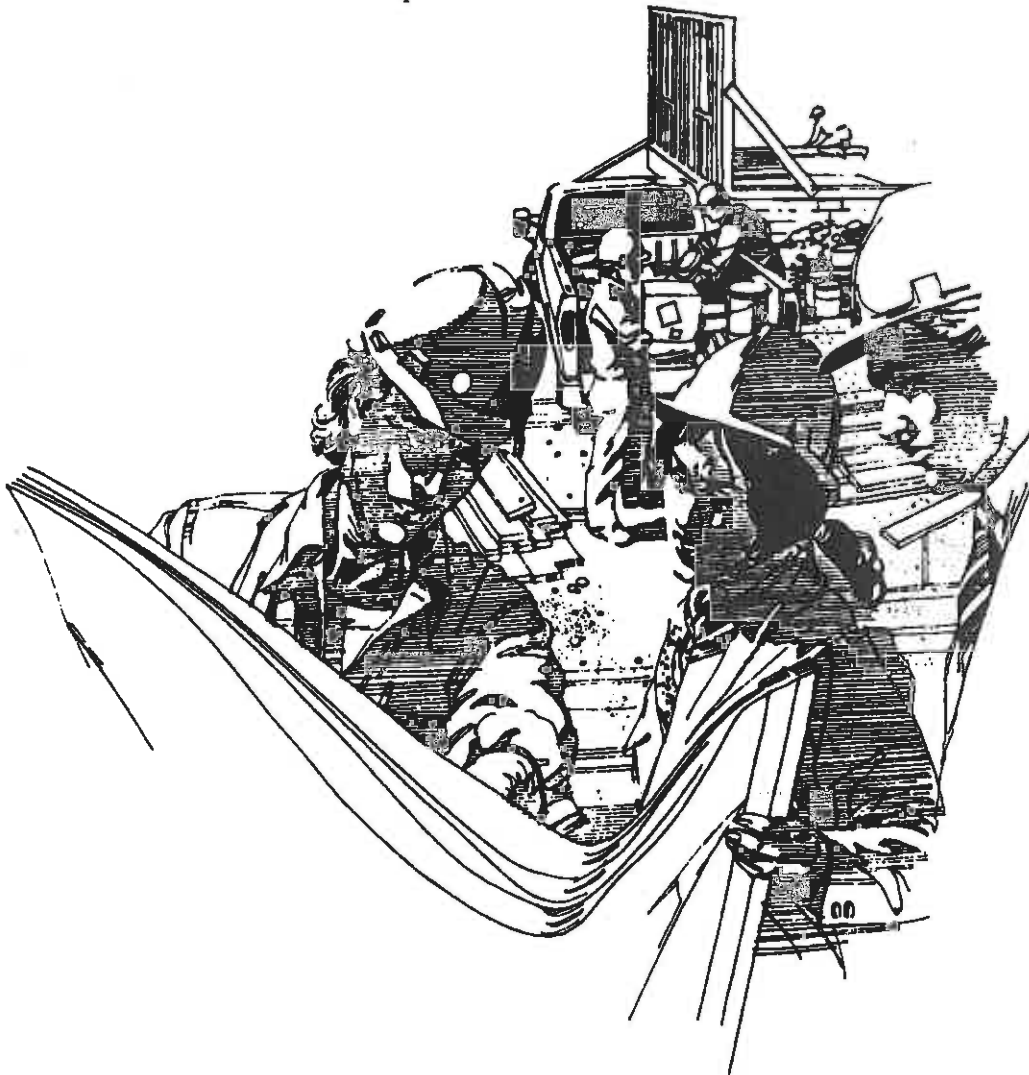
One of the best ways to select a contractor is to seek out personal recommendations from friends or relatives who recently had work of the type you want completed by a licensed contractor.

If the work you are considering is valued at \$300 or more, a valid California Contractor's License is required for the license category in which the contractor is going to be working. If you contract with someone who does not have a license, the Contractors Board **may not** be able to assist you with a complaint. A remedy in a complaint against an unlicensed contractor may only be available in civil court. This is one more good reason to work only with licensed contractors!



You may also wish to check the contractor out with your local building department, trade association or union, local consumer protection agency, consumer fraud unit in your city or district attorney's office, and the Better Business Bureau. Call these organizations to see if they have information about the contractor you are considering. Ask how long the company has been in business and find out if there are any complaints about the firm or other relevant file information.

Don't be fooled by a smooth-talking salesperson. Take the time and effort to make sure that the person or business doing your home improvement is going to perform in a professional manner.



## **Check the Contractor's References**

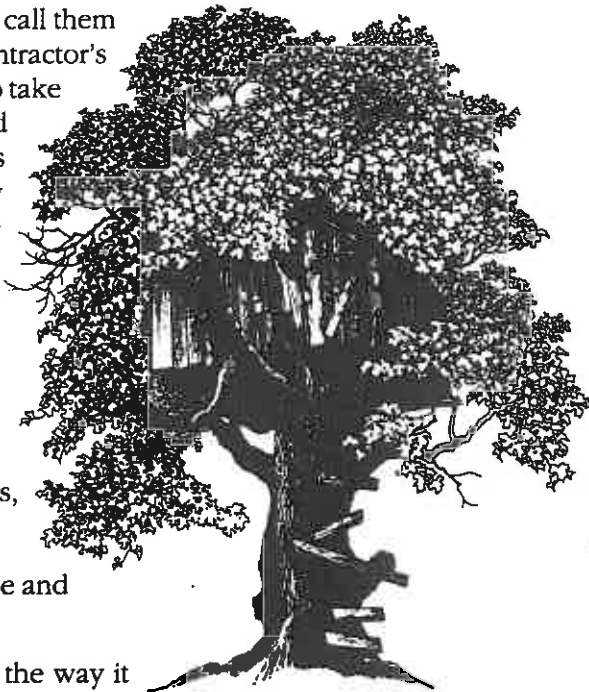
Ask the contractor for local references and call them to see if they were satisfied with the contractor's work. A skilled contractor will be proud to take credit for their work. If possible, go out and look at finished projects. Some consumers even try to find jobs in progress to see how the contractor works and to speak with the home owner about work habits, inconveniences, and the sensitivity of the contractor to the living needs of the home owner. Remember, the person you hire to work in your home will be a part of your home until the job is completed.

When speaking to the contractor's customers, ask such questions as:

- Did the contractor keep to the schedule and the contract terms?
- Were you pleased with the work and the way it was done?
- Did the contractor listen to you when you had a problem, and seem concerned about resolving it?
- Did the contractor willingly make any necessary corrections?

In addition to talking with customer references, obtain references from material suppliers, subcontractors, and financial institutions, if possible, to determine whether the contractor is financially responsible.

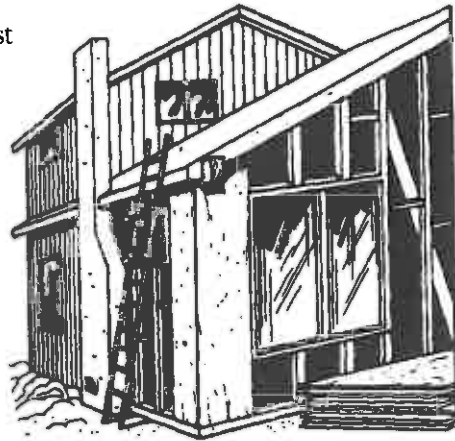
Ask the contractor for the address of his/her business location and business telephone number, and verify them. A contractor who operates a business out of the back of a pickup truck with a cellular telephone may be difficult to find to complete a job or fix something that has gone wrong after the last bill is paid.



## **Make Sure the Contractor Has Workers' Compensation and Liability Insurance Coverage**

Ask the contractor if the company is insured against claims covering workers' compensation, property damage, and personal liability in case of accidents. Ask to see a copy of the certificate of insurance or ask for the name of the contractor's insurance carrier and agency to verify that the contractor has this insurance. In California, workers compensation insurance coverage for contractors is required by law.

This is important for you as a home owner because if a worker is injured while working on your property and the contractor does not have insurance, you are the one who is going to have to pick up the bill for an injured worker's injuries and rehabilitation, if necessary. Don't let your home owner's insurance policy become your contractor's liability coverage!



## **Check the Status of the Contractor's Bond**

Some bonds are designed to protect you against substandard work that does not comply with local building codes. Bonds do not assure the financial or professional integrity or competency of a contractor. For example, they do not cover situations such as a contractor who leaves town after doing only half the job.

Bonding is generally required for large jobs financed by institutional lenders such as savings and loans, insurance companies or commercial banks. In addition, many owners and lenders as well as other contractors require bonding. Bonds can be obtained from bonding companies for a percentage of the contract price, usually in the 1 - 2% range. This should be recognized as a cost of doing business when a bid is submitted.

### **Bonds may be classified as:**

*Contractor's License Bond* — A bond with a surety company or a cash deposit of \$5,000 with the state is required of all licensed contractors in California. Swimming pool contractors must post a bond or cash deposit of \$10,000. This bond is not a guarantee of performance or competence or financial responsibility for the contractor.

*Performance Bonds* — This kind of bond guarantees the project's completion according to the building plans and specifications. If the job is abandoned or the work is unacceptable, the bonding company has the option of hiring another contractor to complete the work or of settling for damages.

*Payment Bonds* — A payment bond assures the owner that no liens for labor and material will be filed against the property.

*Contract Bonds* — A contract bond guarantees both job completion and payment of all labor and materials.

In general, the bonding company will not have to pay more than the face amount of the bond.

In looking for a funding control company, check with your lender or your contractor for recommendations. For a small percentage of the contract price, a reputable funding control company will probably eliminate or reduce many of the financial problems that may arise on your construction project.

If you want a completion bond or funding control company, or both, make sure you clearly state this in the contract. If you need further information regarding bonds, contact your attorney.



Consumers should realize that bonding requirements may exclude a new contracting business from bidding on desired jobs. Bonding companies will not take a risk without verifying the technical and resource capabilities of the bonded contractor. For a contracting business to qualify for bonding, it must practice sound business techniques.

## **Funding Control of Your Project**

Even if your lender doesn't require one, you may want to consider the use of a funding control company to disburse contract payments. A funding control company is a licensed escrow company that specializes in handling funds for construction jobs. Instead of giving the money to your contractor, you give it to the funding control company, which then makes payments to your contractor, subcontractors, or other companies that supplied labor or materials for your job. However, using a funding control company is not a substitute for a payment bond.

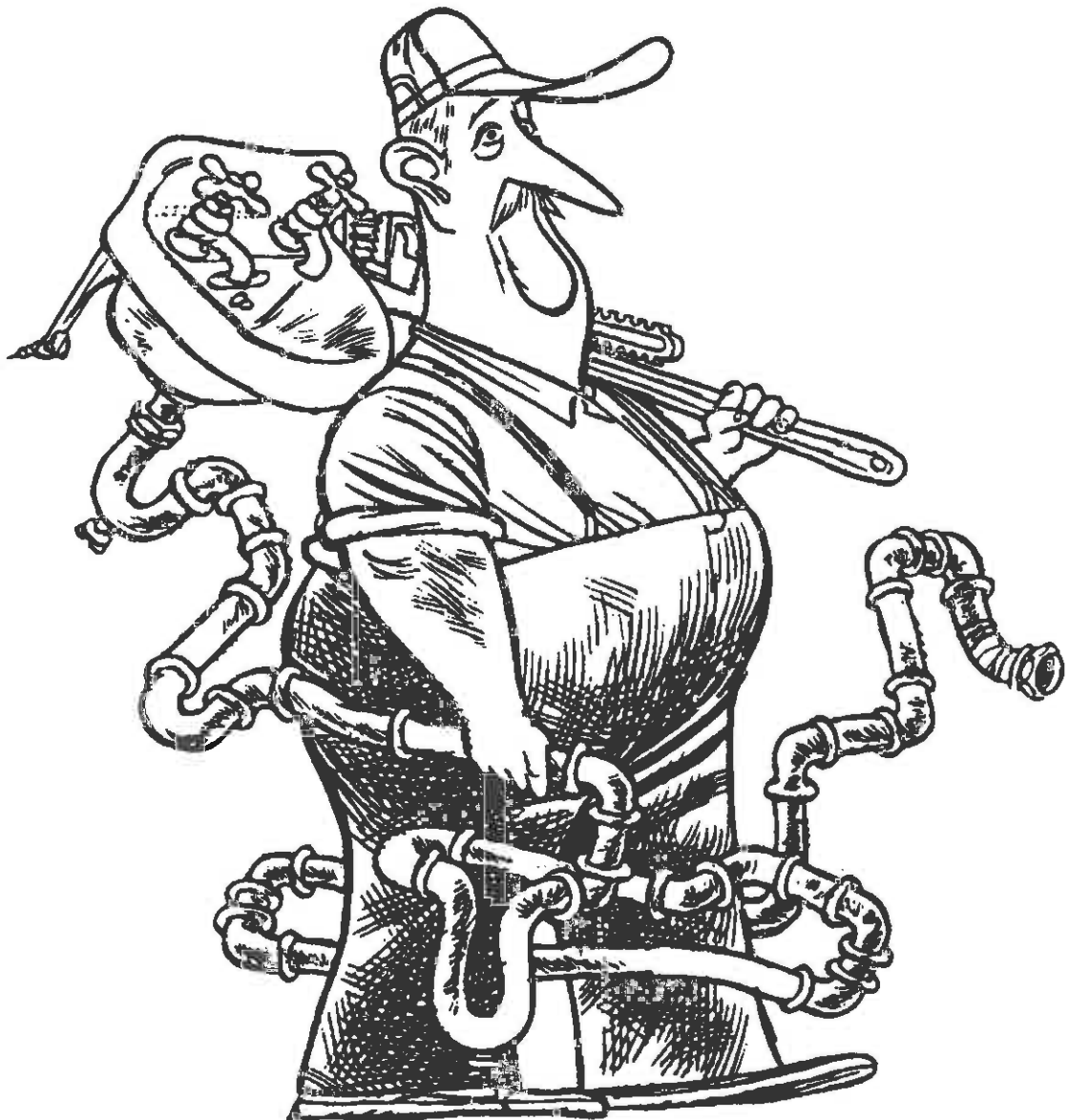
**Caution:** Funding control companies are not required to inspect your job to see if has been completed or the materials supplied. They generally provide vouchers for the borrower to complete and present to the funding control company as authorization to pay the contractor based on bills from the contractor. The borrower should be careful not to authorize payment to the contractor in advance of any work to be performed. The vouchers should be guarded as if they were checks used for paying bills and only signed and used as each phase of the project is completed.

For additional protection, you should make certain that the funding control company you hire uses an **Addendum to Control Agreement Escrow Instructions**. This addendum is in writing and must be signed by you, your contractor, and a representative of the funding control company. In the addendum the funding control company agrees to a method of making payments on your project, which is designed to best protect your money and property. The company also generally makes on-site inspections as its means of guaranteeing that any work or materials it pays for have been provided.



## ***The Owner/Builder***

Anyone who talks you into being your own general contractor, or "Owner/Builder," may be doing you no favor. "Owner/Builder" describes a situation in which the home owner becomes the general contractor. As an "Owner/Builder," **you**, not the person you hire, assume responsibility for the overall job, which may include such things as state and federal taxes, worker's compensation, and other legal liabilities. Unless you are very experienced in construction, it is best to leave these types of matters to your contractor.



# Licensing

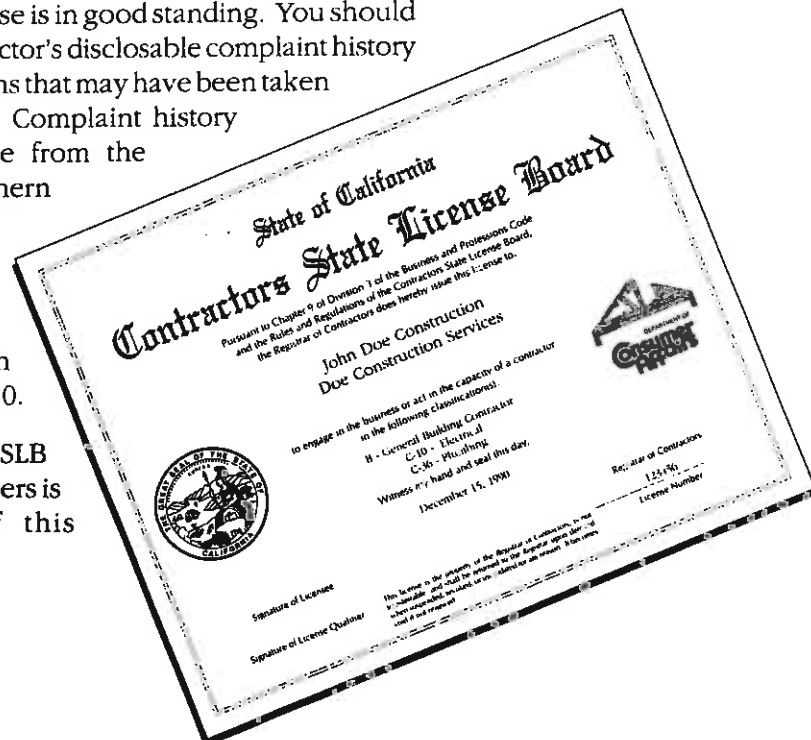
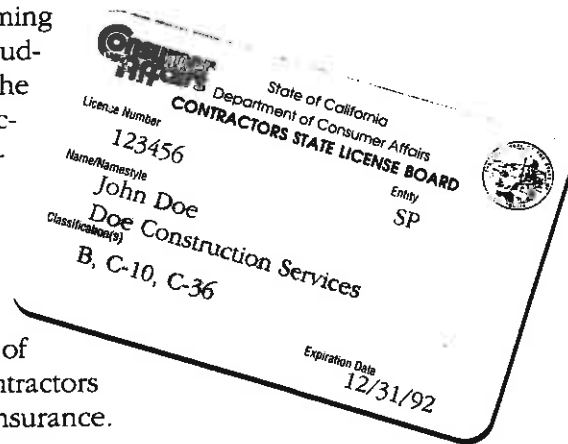
It bears repeating that any contractor performing a job in which the total cost of the project including labor and materials is more than \$300, the contractor must be licensed by the Contractors State License Board. Licensed contractors are subject to laws designed to protect the consumer.

Unlicensed contractors are a danger to your financial affairs because they expose you to significant financial harm in the event of injury or property damage. Unlicensed contractors usually do not have adequate bonding or insurance.

Although an unlicensed contractor may give you a low bid, the risk of possible financial and legal consequences you may face probably outweigh any benefits a lower bid may seem to offer.

**Please note:** A license number appearing on a bid or contract does not necessarily mean the license is valid. Before you sign anything, call the Contractors State License Board (CSLB) office in your area to make sure the contractor is properly licensed in the class for which work is to be performed and the license is in good standing. You should also ask about the contractor's disclosable complaint history and any prior legal actions that may have been taken against the contractor. Complaint history information is available from the CSLB Northern or Southern Regional *Complaint Disclosure* telephone numbers. The Northern number is (916) 366-5332. The Southern number is (213) 921-0910.

A complete list of CSLB offices and phone numbers is on pages 32-35 of this publication.



# The Contract

## Make Sure Everything is In Writing.

### Assume nothing!

Although you might assume that a "contract" should *look like* a contract, anything you sign could be used by a contractor as authorization to go forward with your project. This means that any bid you sign may become the contract. Do not sign anything until you completely understand what you are signing and agree to all the terms.

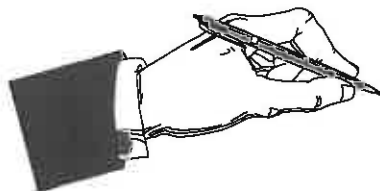
Be sure to ask questions until you fully understand the contract and what the work will look like. Before signing anything, you may wish to discuss the proposed contract, plans and specifications with an attorney.

### Have It In Writing

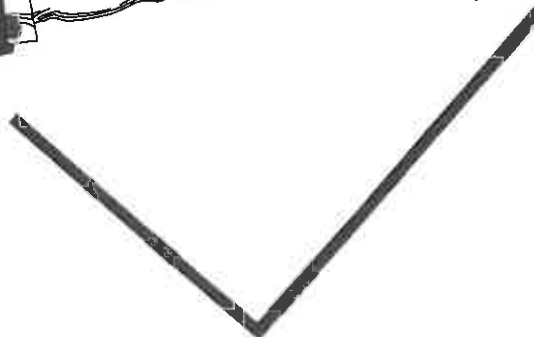
The contract binds you and the contractor to the project. Since a written contract protects both you and the contractor, all agreements should be put in writing. It should include everything you have agreed upon and the extent of the work to be done. Get all oral promises in writing and spell out exactly what the contractor will and will not do. If you intend to do some of the work yourself or hire another contractor to do it, this also should be written into the contract.

Never sign a blank or partially blank contract.

Get a copy of the contract as soon as you sign it and keep it for your records. Both you and the contractor are bound by everything set down in the contract, so read it carefully before you sign. If you have any questions or don't understand something, ask before you sign.



Home Improvement  
Contract



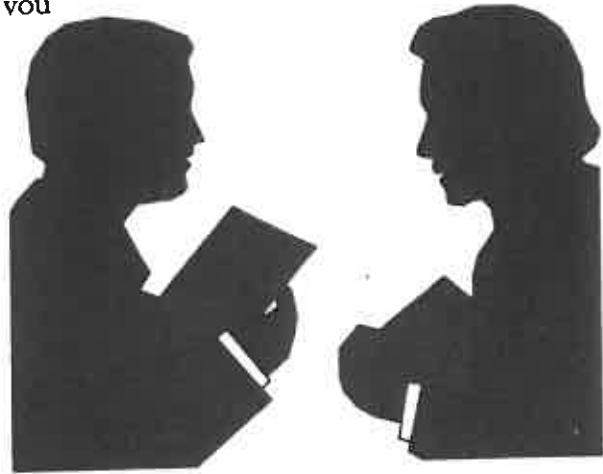
## **Bids**

A bid is an offer to do work. It is advisable to get at least three written bids using identical plans and specifications so you can compare prices and contractors.

### **Get Competitive Bids for the Project**

Solicit at least three bids for the work you need; do not automatically accept the lowest.

Make sure all bids are based on the same set of specifications. Discuss the bids in detail with each contractor and make sure you understand the reasons for any variations in price. Sometimes a higher price may be worth it, if the materials to be used are of higher quality or the work is more extensive. For example, if you are having your kitchen remodeled and one bid is based on installing prefabricated cabinets in standard sizes and another bid is based on installing custom-made cabinets, the prices will not be comparable.



Beware of any bid substantially lower than the others. It probably indicates that the contractor has made a mistake or is not including all the work quoted by his competitors. You may be headed for a dispute with your contractor if you accept an abnormally low bid.

*Don't forget the old adage,*

***“If the offer sounds  
too good to be true,  
it probably is!”***

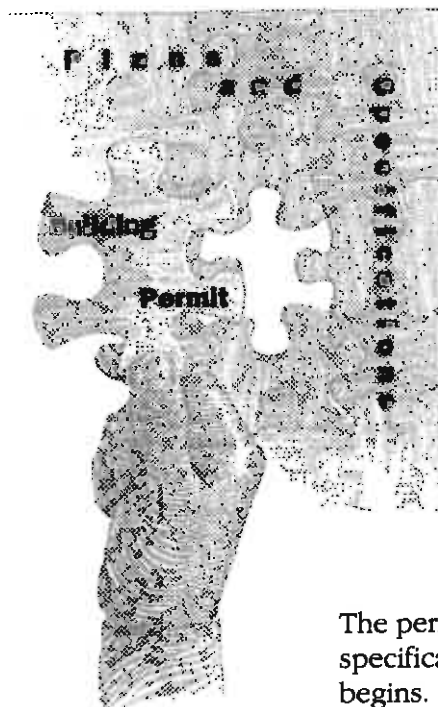
## During Construction

### Permit, Plans and Specifications

Your contract should call for the work to be performed in accordance with all applicable building codes. Keep in mind that building codes only set minimum safety standards for construction; they do not protect you against poor quality work.

As a general rule, a building permit is required whenever structural work is involved or when the basic living area of a home is to be changed. For example, if you have a home with an unfinished basement, and would like to finish off a portion of it for a family room, you would need a building permit in most jurisdictions because you have changed the basic amount of living space in your house by converting storage space to "livable" space. In some cases, separate permits for electrical, heating and plumbing work may be required.

The contractor should obtain the necessary building permits. This should be spelled out in your contract; otherwise you may be held legally responsible for failure to obtain the required permits.



Do not get the permit yourself because the person who obtains the permit is considered to be the contractor and is, therefore, liable if the work does not comply with the building codes.

**Zoning regulations** differ from place to place, so if you are planning any alterations or additions to your home, your contractor should check with the zoning authorities to determine what permits or permission you need to proceed with your project.

Make sure that you have copies of the signed contract and plans and specifications for your project. Resist the temptation to make any changes to the contract or plans and specifications verbally. Make sure all changes are in writing.

The permit for your job, along with the project plans and specifications, must be posted on the job before the work begins. Check to make sure that they are.

## Warranties

If a warranty is offered by the contractor for labor and materials, be sure to get it in writing. The warranty should specifically state which parts of the work are covered and the duration of the warranty. You should also request any written warranties offered by the manufacturers of materials or appliances installed by the contractor. California law limits the period within which a complaint may be filed against a contractor to three years from the date when the act or omission occurred. This statute of limitations may be extended if there is an express, written warranty issued by the contractor. If such a warranty has been breached by the contractor, the CSLB has authority to act on a complaint during the entire duration of the warranty. However, the CSLB has no authority to enforce a warranty given by a manufacturer or material supplier.

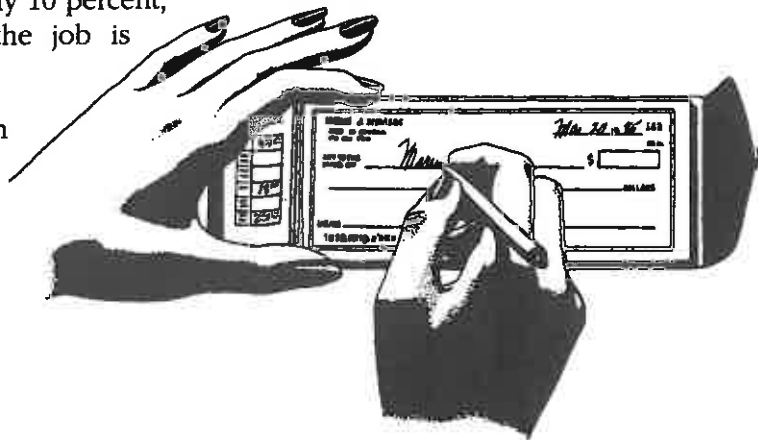
## Scheduling the Work

Your contract should specify an approximate starting date and completion date for your project. However, external factors such as the weather or the availability of supplies might cause delays.

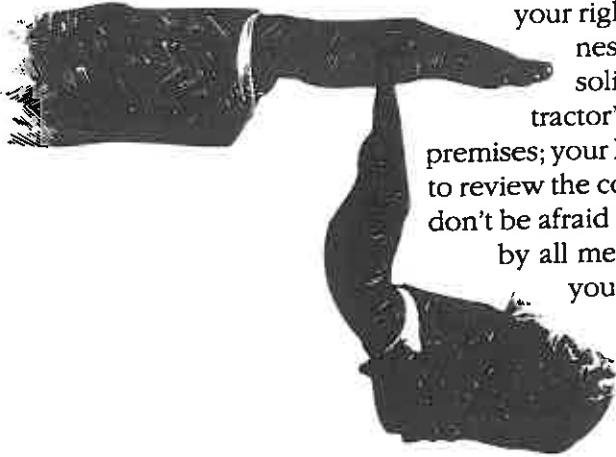
## Scheduling the Payments

Make sure the payment schedule is based on the contractor's performance. Never let your payments get ahead of the contractor's work, and make sure the contract provides for a "retention." A "retention" is a percentage of each payment or of the total job, ordinarily 10 percent, which you retain until the job is completed.

Never sign a completion certificate until all the work called for in the contract has been properly completed. Lenders usually require a signed completion certificate before they will release the last payment.



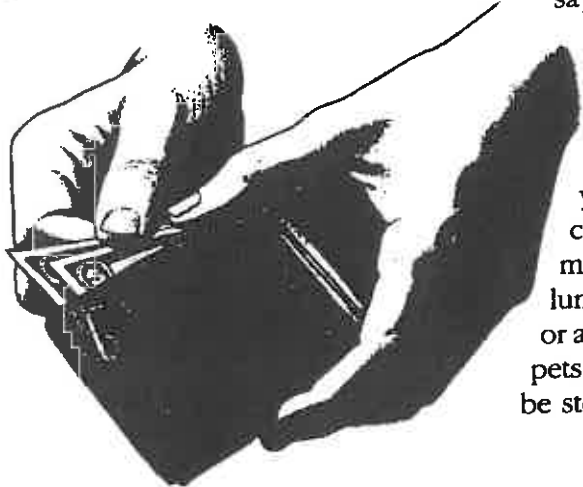
## **The Three-Day Cancellation Period**



The law requires a contractor to give you written notice of your right to cancel a contract within three business days of signing it, provided that it was solicited at some place other than the contractor's place of business or appropriate trade premises; your home, for instance. Use those three days to review the contract again. If something bothers you, don't be afraid to cancel the contract. If you do cancel, by all means call the contractor; then make sure your cancellation is in writing. Sending the cancellation to the contractor by registered mail will give you a record of its mailing date and of its receipt by the contractor. Thereafter, you can work out the problem with your contractor and sign a new contract, or you can get a different contractor if you prefer.

If you have any concerns, see an attorney right away. Make sure all the contract terms are in writing and that you understand and agree to everything in the contract.

## **Make Sure Everything You are Paying for is in the Contract**



The contract should specify all materials to be used, such as the quality, quantity, weight, color, size, or brand name as it may apply. For example, the contract should say "install oak kitchen cabinets, manufactured by Company XYZ, model 0381A, as per the plan," not just "install kitchen cabinets."

Make sure your contract includes everything you feel is important to the job including complete clean up and removal of debris and materials, and special requests like saving lumber for firewood or saving certain materials or appliances. Also give instructions regarding pets, children or areas where materials may not be stored.

Be sure the financial terms of the contract are clear. The contract should include the total price, when payments will be made and whether there is a cancellation penalty. On any home improvement job you should expect to make a downpayment. California law requires that the amount of the downpayment for any home improvement contract, other than for construction of a swimming pool, may not exceed \$1,000 or 10 percent of the contract price, excluding finance charges, whichever is less. The downpayment for a swimming pool shall not exceed \$200 or 2 percent of the contract price, excluding finance charges, whichever is less.

After you have a signed contract, and even after work has already begun, your contractor may offer suggestions that will change your original ideas for the work. The contract should clearly state your final agreement and accurately reflect everything involved in the work being done by your contractor. If you have discussed added work, substitutions of materials or equipment, or changes in the completion date, make sure that clearly worded and signed "change orders" reflect this. (For a list of items that your contract should contain see page 30.)

***Your downpayment  
may not exceed \$1,000  
or 10% of the contract  
price, excluding  
finance charges,  
whichever is less!***

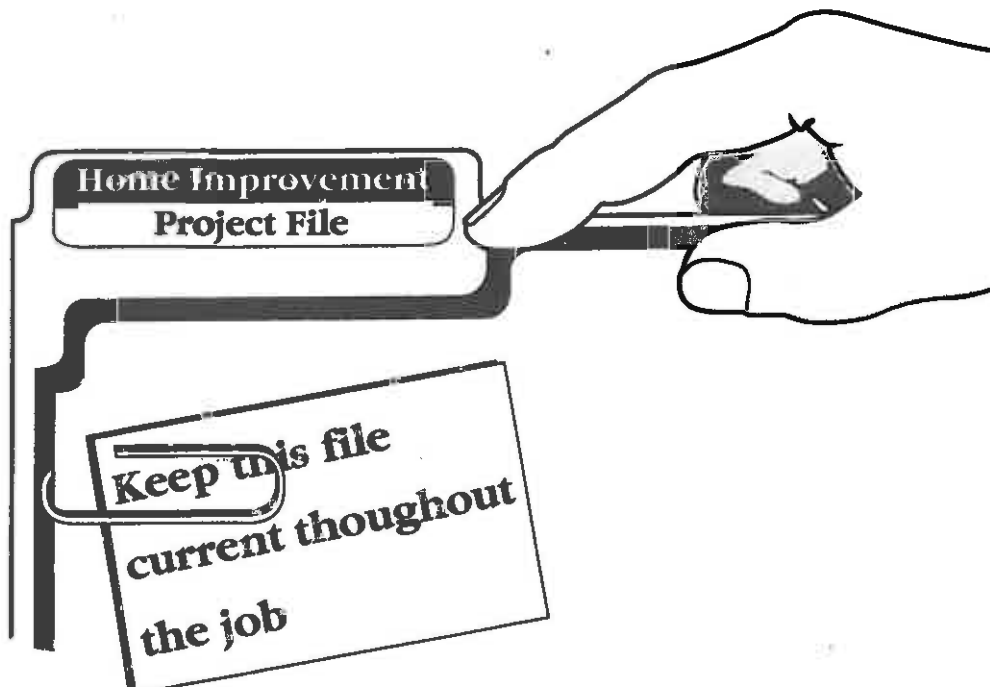


## Keep a Job File

You should keep a file of all papers relating to your project. It should include:

1. The contract and any change orders.
2. Plans and specifications.
3. Bills and invoices.
4. Cancelled checks.
5. Lien releases from subcontractors and material suppliers.
6. Letters, notes, and correspondence with your contractor.

It is also a good idea to keep a record of each subcontractor who works on your project, the work performed, and length of time on the job. When material suppliers make a delivery, write down the name of the company, the date, and a general description of what they delivered. When you receive lien releases from subcontractors or material suppliers, check them against your list. That way you will have a record of who has and has not been paid.



## **Inspections**

When a government agency issues a permit for home improvement work, it will inspect the work when it has reached a certain stage and/or when it is completed to make sure it complies with various codes and regulations. The contractor is responsible for arranging for these inspections. These inspections are not made to determine good work quality. You should, if at all possible, be present when inspections are made, ask questions, and make frequent inspections yourself.

When a project is completed, the building department will make a final inspection. Make sure that you also make a final inspection, or "walk-through," with your contractor to be certain there is nothing you or the contractor have overlooked.



## **Inconveniences**

In most cases you will be living in your home while work is being done on it. You should be aware of the many inconveniences that may occur. Exterior walls may be taken down, water and/or power shut off, or bathroom and kitchen facilities temporarily disconnected. Dust and debris might also damage your furniture or other personal possessions. Before work begins, ask your contractor what inconveniences will occur, then plan for them. That way, both you and your contractor can avoid conflicts when inconveniences do occur.

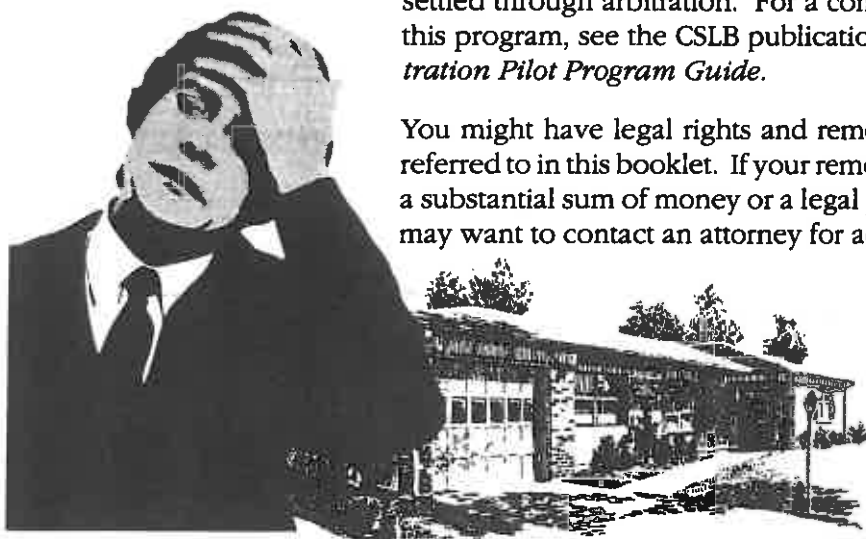
This risk is greatly reduced by protecting yourself with a contract bond and/or use of a funding control company, but it is never entirely eliminated (see discussion of *performance bonds* on page 10). Therefore, it is a good practice to specify in the contract that the contractor is responsible for obtaining lien releases from each of the subcontractors and material suppliers.

## Arbitration

Some contracts offer an arbitration clause to settle disputes. Inserting an arbitration clause in your contract is a reasonable precaution and could enable you to resolve disputes more quickly and enforce your warranty without litigation. However, if you pursue legal action against your contractor before attempting to work out your differences through arbitration—in small claims court, for instance—your right to arbitrate may be nullified, regardless of the outcome of the legal action. Further, the Contractors Board generally will not take action on a complaint concerning a contract that contains an arbitration clause, until after arbitration has been completed, unless there are other blatant violations of CSLB laws.

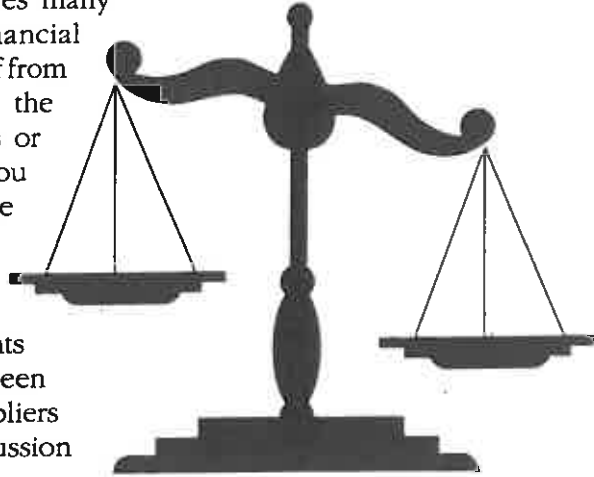
Several offices of the CSLB maintain a mandatory arbitration program in which complaints filed by a consumer against a licensed contractor alleging damages of \$2,500 or less and meeting certain other qualifying criteria, must be settled through arbitration. For a complete discussion of this program, see the CSLB publication, *Mandatory Arbitration Pilot Program Guide*.

You might have legal rights and remedies beyond those referred to in this booklet. If your remodeling job involves a substantial sum of money or a legal problem arises, you may want to contact an attorney for advice.



## Legal Considerations ... Liens

For a large remodeling job that involves many subcontractors and a substantial financial commitment, you should protect yourself from liens against your home in the event the contractor does not pay subcontractors or suppliers. Depending on local laws, you may be able to add a release of lien clause to your contract requiring the contractor or subcontractors and suppliers to furnish a certificate of a waiver of lien. Another solution is to place your payments in an escrow account until the work has been completed and subcontractors and suppliers verify that they have been paid (see discussion of *fund control companies* on page 11).



If you have obtained financing for your project, the bank or lending institution may require that contractor, subcontractors and suppliers verify that they have been paid before releasing funds for subsequent phases of the project.

### Preliminary Lien Notices

Shortly after your job commences you will probably receive preliminary lien notices from subcontractors and material suppliers. Don't panic! This does not mean that a lien has been filed against your property. The law requires you to be furnished with these notices to alert you that those persons have worked on or have supplied materials for your job and may have lien rights.

### Mechanics' Liens

The law provides that anyone who furnishes labor or materials to your home can record a "Claim of Lien" or "Mechanic's Lien" against your home if they are not paid. Even if you have paid your general contractor in accordance with the contract, if he or she fails to pay any subcontractor or materials supplier who performed work or supplied materials in connection with your project, you still run the risk of having a Mechanic's Lien filed against your home and foreclosed. You could be required to pay a bill twice to keep from losing your home.

## ***What if Problems Occur?***

In spite of all the precautions you have taken, problems will sometimes occur with the work that was done on your home. If problems do occur, either during construction or afterward, contact your contractor. Usually he/she will make corrections willingly.

Should the contractor refuse to make corrections, you can file a complaint in writing with your local Contractors State License Board office and your local Building Department. If necessary, consult an attorney and discuss your situation.

However, even with the best of intentions, problems do sometimes arise. As with any dispute, the first step is to try to resolve matters with the contractor directly. Make sure all problems or complaints are addressed ***in writing*** directly to the contractor so that you both have a record.



## ***Avoiding Complaints and Problems***

Some warning signs of possible trouble ahead are the following:

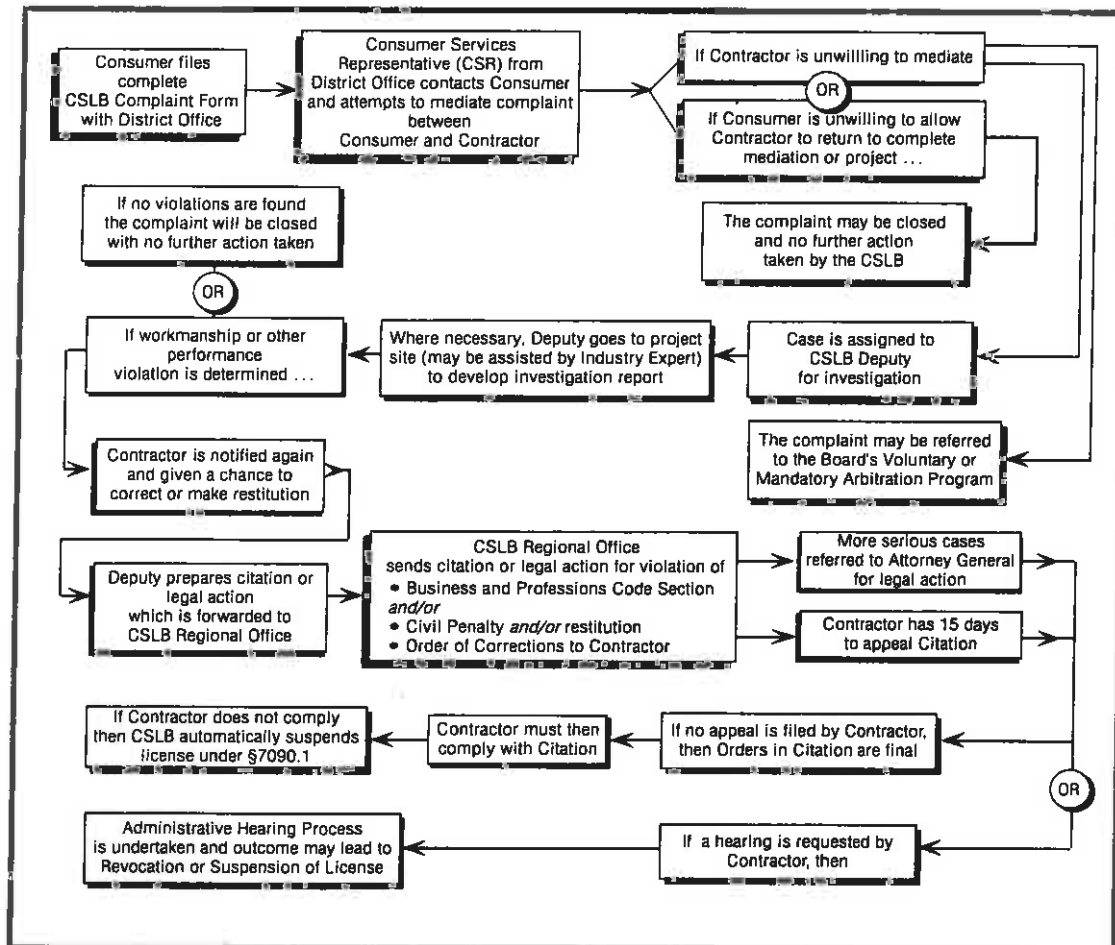
- You can't verify the name, address and telephone number or credentials of the contractor.
- The salesperson tries to pressure you into signing a contract by using scare tactics, intimidation or threats. (Remember, you usually have three days to cancel a contract.)
- The company or salesperson says your home will be used for advertising purposes, (as a model job, or show-house, or by display of their sign) and that you will be given a special low price.
- The contractor tells you this is a special price available only if you sign the contract today.
- The contractor doesn't comply with your request for references or the references have some reservations about the contractor's work.
- You are unable to verify that the contractor is licensed, insured, and/or bonded when required.
- You are asked to pay for the entire job in advance, or to pay cash to a salesperson instead of by check or money order to the company itself.
- You are asked to sign a completion certificate for the job by appeal, threat, or trick, before the job is properly completed.

**The best way to avoid problems is to follow the steps outlined in this booklet and cover all details about the job in your contract.**



# What Happens to a Consumer Complaint?

If you file a complaint against a licensed contractor with the CSLB, it will be logged in, reviewed, and assigned to a staff person for handling based on the nature of the complaint described in the complaint form. Depending on the circumstances of the complaint, CSLB staff will attempt to negotiate (mediate) a settlement of complaints as soon as possible. If staff is unable to arrive at a mediated settlement between you and your contractor and legal action is taken by the Board, there is no assurance that there will be any restitution. Depending on the circumstances, the complaint may be referred to one of the Board's binding arbitration programs. This chart shows the Board's complaint handling process in general. The process may vary depending on the circumstances.



## ***Some Things to Consider***

### **Do:**

- ☐ 1. Plan your project carefully.
- ☐ 2. Shop around before hiring a contractor.
- ☐ 3. Get at least three written bids on your project.
- ☐ 4. Provide contractors from whom you request bids with accurate plans for drawings that will enable them to determine the scope of the work and the costs.
- ☐ 5. Check with the Contractors State License Board to see if a contractor is properly licensed.
- ☐ 6. Check out contractors with your local building department, trade associations or unions, consumer protection agency, and the Better Business Bureau.
- ☐ 7. Look at work the contractor has completed.
- ☐ 8. Ask your contractor to furnish a completion or contract bond.
- ☐ 9. Consult with more than one lending institution regarding the type of loan to obtain.
- ☐ 10. Ask your lender to recommend a funding control company.
- ☐ 11. Make sure your contract provides for a retention.
- ☐ 12. Make sure everything you and your contractor have agreed to is included in your contract.
- ☐ 13. Ask your contractor about inconveniences that may occur and plan accordingly.
- ☐ 14. Keep a job file.
- ☐ 15. Make sure you receive lien releases from subcontractors and material suppliers.
- ☐ 16. Make frequent inspections of the work, including a final walk-through.
- ☐ 17. Consult an attorney if a mechanic's lien is filed against your property.
- ☐ 18. Try first to negotiate with the contractor if problems or disagreements occur.



## **Do Not:**

1. Hire an unlicensed contractor.
2. Hire a contractor without first shopping around.
3. Act as an owner/builder unless you are very experienced in construction.
4. Sign anything until you completely understand it and agree to the terms.
5. Make agreements with subcontractors or workers without consulting the prime contractor.
6. Ever pay cash, without proper receipt.
7. Make a downpayment without checking with your lender or the Contractors State License Board to make sure it does not exceed the legal limit.
8. Let your payments get ahead of the contractor's completed work.
9. Hesitate to ask questions of the contractor.
10. Make final payment until you are satisfied with the job.

### Be sure your contract includes:

- ☐ 1. The name, address, and license number of the contractor, and the name and registration number of any salesperson who solicited or negotiated the contract.
- ☐ 2. The approximate dates (not number of working days) when the work will begin and be substantially completed.
- ☐ 3. A description of the work to be done, a description of the materials and equipment to be used or installed, and the price for the work.
- ☐ 4. A schedule of payments showing the amount of each payment in dollars and cents.
- ☐ 5. If the payment schedule contained in the contract provides for a downpayment, such downpayment shall not exceed \$1,000 or 10 percent of the contract price, excluding finance charges, whichever is less. If the contract provides for the contractor to furnish performance and payment bonds, lien and completion bonds, a bond equivalent, or a funding control, this limitation of downpayment does not apply.
- ☐ 6. A **Notice To Owner** regarding the state's lien laws, and the rights and responsibilities of an owner of property.
- ☐ 7. A description of what constitutes substantial commencement of work.
- ☐ 8. A notice that the failure of the contractor, without lawful excuse, to substantially commence work within 20 days from the approximate date specified in the contract when work is to begin is a violation of the Contractors License Law.

## **Finally...**

Before you begin your project with a contractor, you may wish to consult additional information resources. The Consumers Resource Handbook put out by the federal government offers general information on making purchases and resolving complaints. To obtain free single copies, write to: Handbook, the Consumer Information Center, Pueblo, CO 81009.



# **Contractors State License Board Offices**

## **Northern Offices**

### **Northern Region Office**

P.O. Box 26888  
Sacramento, CA 95826  
(916) 366-5291

### **Bakersfield Branch**

110 New Stine Rd., Suite C  
Bakersfield, CA 93309  
(805) 395-2726

### **Fresno District**

3374 E. Shields Ave, Room E-17  
Fresno, CA 93726  
(209) 445-5281

### **Modesto Branch**

3320 Tully Rd, Suite B-8  
Modesto, CA 95350  
(209) 576-6235

### **Oakland District**

1700 Broadway, 2nd Floor  
Oakland, CA 94612  
(415) 464-0964

### **Headquarters**

9835 Goethe Road  
Sacramento, CA 95827

Mailing Address: P.O. Box 26000  
Sacramento, CA 95826  
(916) 366-5153

### **Pleasant Hill Branch**

367 Civic Dr., Suite 10  
Pleasant Hill, CA 94523  
(415) 671-9899

### **Redding District**

429 Redcliff Dr., Suite 140  
Redding, CA 96002  
(916) 224-4790

### **Sacramento District**

7171 Bowling Dr., Suite 410  
Sacramento, CA 95823  
(916) 445-3458

### **San Francisco District**

301 Junipero Serra Blvd., #206  
San Francisco, CA 94127  
(415) 469-6200

### **San Jose District**

100 Paseo de San Antonio, Room 319  
San Jose, CA 95113  
(408) 277-1244

### **Santa Rosa Branch**

50 D St., Room 105  
Santa Rosa, CA 95404  
(707) 576-2192

# **Contractors State License Board Offices**

## **Southern Offices**

### **Southern Region Office**

14714 Carmenita Rd., Suite 400  
Norwalk, CA 90650  
(213) 921-2020

### **Inglewood District**

One Manchester Blvd.  
City Hall, Suite 400  
Inglewood, CA 90301  
(213) 412-6395

### **Long Beach District**

245 W. Broadway, #145  
Long Beach, CA 90802  
(213) 590-5331

### **Rancho Mirage Branch**

42-700 Bob Hope Dr., Suite 312  
Rancho Mirage, CA 92270  
(619) 346-5643

### **San Bernardino District**

1250 E. Cooley Dr., Suite 200  
Colton, CA 92324  
(714) 370-4583

### **San Diego District**

5280 Carroll Canyon Rd., Suite 250  
San Diego, CA 92121  
(619) 455-0237

### **San Gabriel Valley District**

8855 E. Valley Blvd, Room 221  
Rosemead, CA 91770  
(213) 620-4476  
(818) 575-6926

### **San Luis Obispo Branch**

3220 S. Higuera St., Suite 304  
San Luis Obispo, CA 93401  
(805) 549-3166

### **Santa Ana District**

28 Civic Center Plaza, Room 351  
Santa Ana, CA 92701  
(714) 558-4086

### **Van Nuys District**

6150 Van Nuys Blvd., #300  
Van Nuys, CA 91401  
(818) 901-5168

### **Ventura District**

1787 Mesa Verde Park  
Ventura, CA 93003  
(805) 654-4515

## ***Disclaimer***

This publication is meant to be instructional, to provide information to assist the consumer in dealing with building contractors and the California Contractors State License Board. The information in this publication is believed to be accurate at the time of its production. The Contractors State License Board, the Department of Consumer Affairs and the State of California assume no responsibility for any damage that arises from any action that is based on information found in this publication. As indicated in this publication, questions regarding civil law and the civil courts system, should be addressed to an attorney.